

Message Text

CONFIDENTIAL

PAGE 01 PARIS 07752 01 OF 04 161605Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00
INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 L-03
STR-04 SS-15 NSC-05 PRS-01 PA-01 H-01 OIC-02
XMB-02 FEAE-00 INT-05 /118 W
-----161723Z 094683 /46

O R 161534Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4235
INFO ALL OECD CAPITALS

C O N F I D E N T I A L SECTION 1 OF 4 PARIS 7752

USOECD

PASS: CEA (SCHULTZE), TREAS (WIDMAN), FRD (WALLICH)

E.O. 11652: GDS
TAGS: OECD, ECON
SUBJ: JUNE 14-15 MEETING OF ECONOMIC POLICY COMMITTEE
(EPC): COUNTRIES VIEW SHORT-TERM ECONOMIC OUTLOOK WITH
VARYING DEGREES OF CONCERN AND PREPARE DISCUSSION FOR
FORTHCOMING OECD MINISTERIAL

REF: (A) (77) QQQ; (B) PARIS 16757; (C) PARIS 17015;
(D) PARIS 17111; (E) PARIS 17014; (F) PARIS 14543;
(G) PARIS 17113; (H) PARIS 14363

1. SUMMARY AND MAIN CONCLUSIONS: AT ITS JUNE 14-15 MEETING,
EPC HELD INTENSIVE DISCUSSION OF SHORT-TERM AND POLICIES GEARED
TO PREPARATION OF JUNE 23-24 OECD MINISTERIAL. GENERAL EPC
CONSENSUS POINTED TOWARD PRESENTATION OF FOLLOWING ANALYSIS
AND RECOMMENDATIONS FOR CONSIDERATION BY MINISTERS:

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 07752 01 OF 04 161605Z

(A) SHORT-TERM PROSPECTS FOR GROWTH AND CURRENT ACCOUNT
ADJUSTMENT CAUSE CONCERN. THUS, IT WOULD BE USEFUL FOR
MINISTERS TO AGREE THAT OECD AREA GNP GROWTH SHOULD BE
SOMEWHAT HIGHER IN 1978 THAN RATE NOW ANTICIPATED FOR
1977. SUCH GROWTH NEXT YEAR SHOULD BE HIGH ENOUGH TO
REDUCE UNEMPLOYMENT IN OECD AREA AS A WHOLE, YET CONSISTENT
WITH MAKING CONTINUED PROGRESS TOWARD WINDING DOWN

INFLATION. SENTIMENT IN FAVOR OF QUANTIFYING TARGET (I.E., 5 PERCENT) WAS NOT STRONG (AND OPPOSED BY U.S.), BUT MAY BE OFFERED AS OPTION IN DOCUMENTATION IN MINISTERIAL. U.S. MADE CLEAR ACCELERATION OF GROWTH SHOULD NOT APPLY UNIFORMLY TO EVERY COUNTRY AND POLICY HAD TO BE DIFFERENTIATED. SOME COUNTRIES MUST CONTINUE TO GIVE PRIORITY TO STABILIZATION, WHILE IN CASE OF U.S., PRESCRIPTION FOR HIGHER GROWTH DID NOT APPLY. EPC PUT CONSIDERABLE PRESSURE ON JAPAN AND FRG AND MADE IT CLEAR THAT THEY SHOULD LEAD OECD AREA'S CLIMB TOWARD HIGHER GROWTH;

(B) MINISTERIAL SHOULD SET IN MOTION A PROCESS UNDER WHICH INDIVIDUAL COUNTRIES WOULD SUBMIT THEIR TENTATIVE OBJECTIVES FOR GROWTH OF GNP AND OF DOMESTIC DEMAND IN 1978 TO SECRETARIAT BY MID-OCTOBER; COUNTRIES SHOULD ALSO INDICATE, IN MORE QUALITATIVE AND DIRECTIONAL TERMS, THEIR CURRENT ACCOUNT AND PRICE OBJECTIVES. SECRETARIAT WOULD AGGREGATE COUNTRY SUBMISSIONS, ASSESS THEIR IMPLICATIONS AND PRESENT RESULTS FOR CONSIDERATION AT LATE NOVEMBER MEETING OF EPC;

(C) TIMING OF PROCESS OUTLINED ABOVE IS SET SO AS TO AFFORD GOVERNMENTS AN OPPORTUNITY TO HAVE MUTUAL INFLUENCE ON THE FORMULATION OF NATIONAL OBJECTIVES; THUS, THE EXERCISE SHOULD BE VIEWED AS ONE OF GENUINE CONSULTATION, RATHER THAN AS A SIMPLE CHECK ON CONSISTENCY OF COUNTRIES' OBJECTIVES;

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PARIS 07752 01 OF 04 161605Z

(D) QUESTION OF WHETHER PROCESS OF REVIEWING OBJECTIVES FOR 1978 SHOULD CULMINATE IN A MINISTERIAL MEETING AT END OF 1977 WAS LEFT OPEN, AS WAS NATURE OF PROCEDURE FOR MONITORING PERFORMANCE IN 1978 (ALTHOUGH IMPLICATION APPEARED TO BE THAT EPC WOULD DO THIS).

2. DISCUSSIONS AT JUNE 14 EPC BUREAU MEETING AND DINNER FOCUSED ON DESIRABILITY OF SETTING GROWTH OF DOMESTIC DEMAND, PRICE AND CURRENT ACCOUNT OBJECTIVES FOR 1978 AND ABOVE CONCLUSIONS GENERALLY REFLECT WHAT WAS AGREED BY EPC BUREAU. BROAD CONSENSUS ON APPROACH WAS WIDENED AT JUNE 15 LUNCH (HOSTED BY VAN LENNEP) WHICH INCLUDED REPRESENTATIVES FROM ALL MEMBER COUNTRIES. EPC CHAIRMAN ALLEN INDICATED THAT SECRETARIAT WOULD REVISE DOCUMENTATION ON MACRO-ECONOMIC ISSUES PREPARED FOR MINISTERIAL (REF A) TO TAKE ACCOUNT OF EPC VIEWS.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PARIS 17752 02 OF 04 161624Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00
INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 L-03
STR-04 SS-15 NSC-05 PRS-01 PA-01 H-01 OIC-02
XMB-02 FEAE-00 INT-05 /118 W
-----161724Z 094874 /46

O R 161534Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4236
INFO ALL OECD CAPITALS

C O N F I D E N T I A L SECTION 2 OF 4 PARIS 17752

3. FOLLOWING WERE MAIN OTHER EVENTS:

(A) EPC BUREAU AND PLENARY HAD BRIEF DISCUSSION OF
MCCRACKEN REPORT IN CONTEXT MEDIUM-TERM ISSUES (SEE
PARAS 12 AND 16);

(B) GERMANY AND SWITZERLAND RAISED ISSUE OF WHETHER
U.S. CURRENT ACCOUNT DEFICIT BECOMING EXCESSIVE (SEE
PARA 9);

(C) EPC ELECTED OFFICERS (SEE PARA 4);

(D) EPC RESTRICTED BRUEAU AGREED WOULD HOLD BRIEF SESSION
AFTERNOON OF SEPTEMBER 28 IN WASHINGTON (DURING
IMF/IBRD COUNCIL MEETING);

(E) NEXT MEETING OF EPC TENTATIVELY SCHEDULED TO BE
BACK-TO-BACK WITH WP3 IN NOVEMBER 21-23 TIMEFRAME.

4. ELECTION OF OFFICERS: AS EXPECTED (SEE REF B), EPC
ELECTED: CEA CHAIRMAN SCHULTZE AS VICE CHAIRMAN OF EPC;
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 17752 02 OF 04 161624Z

MATSUKAWA (JAPAN) AS CHAIRMAN OF WP3; SLATER (CANADA) AS
CHAIRMAN OF WP4; VAN YPERSELE (BELGIUM) AS CHAIRMAN OF

TEMPORARY WORKING PARTY (TWP). ELECTION OF SUCCESSOR TO SKANLAND (NORWAY) AS WP2 CHAIRMAN WAS POSTPONED DUE TO LACK OF CLEAR SUPPORT FOR ONE OF SEVERAL CANDIDATES EXPRESSING INTEREST IN THIS POSITION (SEE REFS C, D).
END SUMMARY

SHORT-TERM PROSPECTS IN OECD AREA

5. SECRETARIAT (FAY) SET BACKGROUND FOR POLICY DISCUSSION IN PROVIDING RATHER SOMBER APPRAISAL OF PROSPECTS FOR GROWTH, INFLATION AND CURRENT ACCOUNT ADJUSTMENT THROUGH MID-1978. FAY NOTED THAT FORECASTS PROVIDED BY COUNTRIES AT JUNE 6-7 SHORT-TERM FORECASTERS MEETING (SEE REF E) WERE IN GENERAL AGREEMENT WITH SECRETARIAT VIEWS THAT OECD AREA GNP GROWTH RATE WOULD CONTINUE TO DECELERATE OVER NEXT TWELVE MONTHS. HOWEVER, IN CASES OF FRG AND JAPAN, CONSIDERABLE DIVERGENCE EXISTED BETWEEN NATIONAL AND SECRETARIAT GROWTH AND CURRENT ACCOUNT (IN CASE OF JAPAN) FORECASTS (SEE PARAS 8-12 BELOW). RE COSTS AND PRICES, REPORT ON MAY 11-12 MEETING OF WP4 BY CHAIRMAN SLATER (SEE REF F) INDICATED THAT SHORT-RUN PROSPECTS FOR SIGNIFICANT FALL IN UNDERLYING RATE OF INFLATION WERE DIM.

6. IN REPORTING CONCLUSIONS OF JUNE 8 TWP MEETING (SEE REF F), VAN YPERSELE UNDERLINED SLOW PROGRESS MADE TO DATE IN BRINGING ABOUT A SUSTAINABLE CURRENT ACCOUNT DEFICIT FOR SMALLER OECD COUNTRIES EXAMINED BY TWP. HE STRESSED THAT SLOW PROGRESS IN THIS RESPECT WAS LARGELY DUE TO (A) HIGH GROWTH RATE OF DOMESTIC DEMAND IN THESE COUNTRIES RELATIVE TO THAT IN STRONGER COUNTRIES; (B) LACK OF IMPROVEMENT OF REAL FOREIGN BALANCE IN SOME COUNTRIES SUFFICIENT TO OFFSET OIL-INDUCED TERMS OF TRADE DECLINE AND (C) REVERSAL OF POSITIVE TRENDS IN INVISIBLES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PARIS 17752 02 OF 04 161624Z

EARNINGS IN CERTAIN COUNTRIES. VAN YPERSELE (WITHOUT NAMING THEM) SAID THAT TWO COUNTRIES (PORTUGAL, TURKEY) WERE ALREADY EXPERIENCING FINANCING PROBLEMS, THAT A THIRD (SPAIN) MAY HAVE DIFFICULTY IN SHORT RUN AND THAT OTHERS IN THIS GROUP COULD HAVE PROBLEMS OVER SLIGHTLY LONGER TERM UNLESS SIGNIFICANT FURTHER PROGRESS TOWARD ADJUSTMENT IS MADE. (FOR OECD AREA AS A WHOLE, SECRETARIAT NOW FORECASTS CURRENT ACCOUNT DEFICIT OF \$30-35 BILLION COMPARED WITH \$29 BILLION IT WAS PROJECTING AT TIME OF SHORT-TERM FORECASTERS MEETING.)

7. EPC CHAIRMAN ALLEN STRESSED THAT OUTLOOK FOR HIGH UNEMPLOYMENT, INFLATION RATE STUCK AT SUBSTANTIAL LEVEL, LARGE OECD CURRENT ACCOUNT DEFICIT AND SLOW GROWTH OF

CAPACITY CONSTITUTED FAIR "BRUTAL" ECONOMIC AND POLITICAL FACTS WHICH OECD MINISTERS WILL FACE IN ASSESSING PERFORMANCE UNDER THE MEDIUM-TERM STRATEGY FOR NON-INFLATIONARY GROWTH ENDORSED AT JUNE, 1976 MINISTERIAL. IN THIS CONNECTION, HE SOLICITED VIEWS OF BIG SEVEN COUNTRIES ON THEIR SHORT-TERM PROSPECTS, OBJECTIVES AND POLICIES.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PARIS 17752 03 OF 04 161653Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00
INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 L-03
STR-04 SS-15 NSC-05 PRS-01 PA-01 H-01 OIC-02
XMB-02 FEAE-00 INT-05 /118 W

-----161721Z 095293 /46

O R 161534Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4237
INFO ALL OECD CAPITALS

C O N F I D E N T I A L SECTION 3 OF 4 PARIS 17752

OUTLOOK; OBJECTIVES AND POLICIES FOR INDIVIDUAL COUNTRIES

8. U.S. (SCHULTZE) STRESSED THAT WE TOOK SERIOUSLY THE GROWTH PLEDGES MADE AT THE LONDON SUMMIT. HE SAID THAT FORECAST RISE OF 5-3/4 - 6 PERCENT BETWEEN FOURTH QUARTER OF 1976 AND FOURTH QUARTER OF 1977 WAS CONSISTENT WITH THE U.S. SUMMIT COMMITMENT. GENERALLY, U.S. DESCRIBED SITUATION POLICIES AND PROSPECTS AS ADMINISTRATION SEES THEM; THIS OVERALL PICTURE WAS NOT QUESTIONED AND WAS ACCEPTED BY EPC AS BEING INTERNATIONALLY DESIRABLE. U.S. EMPHASIZED THAT \$24 BILLION SWING TOWARD DEFICIT OF U.S. CURRENT ACCOUNT BETWEEN 1975 AND POSITION EXPECTED IN 1977 MADE IMPORTANT CONTRIBUTION TOWARD ATTAINMENT OF SUSTAINABLE INTRA-OECD PAYMENTS PATTERN (I.E., A PATTERN IN WHICH COUNTRIES WOULD RUN DEFICITS CONSISTENT WITH THEIR ABILITY TO ATTRACT CAPITAL INFLOWS). U.S. POINTED TO POLITICAL DIFFICULTY OF RUNNING CURRENT ACCOUNT DEFICIT IN CIRCUMSTANCES WHERE OTHER COUNTRIES WERE IN SURPLUS.

9. SCHULTZE POINTED OUT THAT ON BASIS OF SECRETARIAT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 17752 03 OF 04 161653Z

FORECASTS, OTHER COUNTRIES IN STRONG POSITIONS (HE DID NOT SPECIFY COUNTRIES, BUT REFERENCE TO JAPAN AND FRG WAS CLEAR) WOULD ATTAIN GROWTH RATES BELOW TARGETS AGREED AT THE SUMMIT AND THUS WERE ON A COURSE INCOMPATIBLE WITH SUMMIT PLEDGES. SMALL COUNTRIES JOINED IN CHORUS URGING FASTER GROWTH (ESPECIALLY OF DOMESTIC DEMAND) IN FRG AND IN JAPAN.

10. FRG (TIETMEYER) STATED THAT FRG TOOK SERIOUSLY SUMMIT GROWTH COMMITMENT FOR 1977 AND REITERATED PLEDGE TO TAKE FURTHER ACTION TO ACHIEVE SUMMIT TARGET IF NECESSARY. HOWEVER, TIETMEYER UNDERLINED GOVERNMENTS' INABILITY TO HIT PRECISE GROWTH TARGETS. EARLY IN HIS INTERVENTION, HE DESCRIBED GERMANY'S SUMMIT COMMITMENT AS 4.5 PERCENT - 5 PERCENT, BUT FINISHED BY REFERRING TO TARGET OF 4-5 PERCENT. FRG SIDESTEPED U.S. EFFORT TO CLARIFY THIS POINT DURING EPC PLENARY. TIETMEYER SAID THIS FORECAST WAS WITHIN TARGET RANGE AND THUS DID NOT IMPLY THAT FURTHER ACTION WAS NECESSARY. HE ADDED THAT RECENT POLICY MEASURES (E.G., SUPPORT OF CONSTRUCTION SECTOR, MEDIUM-TERM INVESTMENT PROGRAM) MADE IT LIKELY THAT FRG'S FORECASTS RATHER THAN MORE PESSIMISTIC SECRETARIAT FORECASTS WOULD MATERIALIZE. TIETMEYER INDICATED FURTHER THAT GOVERNMENT PROPOSAL TO HALVE VAT INCREASE HAD BEEN MADE WITH FRG'S GROWTH COMMITMENTS, AND INTERNATIONAL RESPONSIBILITIES IN MIND. HAVING MADE POINT, THAT FRG POLICY ADJUSTMENT WOULD ASSURE ACHIEVEMENT OF GROWTH TARGETS. MOREOVER, TIETMEYER AGREED WITH COMMENTS BY FRANCE, U.K. AND SECRETARIAT AND OTHERS THAT PATTERN OF GNP GROWTH IN FRG SHOULD BE DOMINATED BY DOMESTIC DEMAND, BUT INDICATED THAT THERE WERE LIMITS TO WHAT FRG COULD DO TO EXPAND DOMESTIC DEMAND. HE REPEATED FRG VIEW THAT FISCAL STIMULUS COULD WELL HAVE COUNTER-PRODUCTIVE EFFECT ON GROWTH AND IN ADDITION, HE NOTED THAT SINCE PRIVATE INVESTMENT WAS IMPORTANTLY A FUNCTION OF EXPORT GROWTH, EXPANSION OF DOMESTIC DEMAND WOULD BE DIFFICULT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PARIS 17752 03 OF 04 161653Z

IN ABSENCE OF STRONG EXPORT DEMAND.

11. WITH RESPECT TO 1978, FRG INDICATED THAT IT WAS NOT READY TO DISCUSS SPECIFIC NUMBERS, BUT IN GENERAL FELT

THAT GROWTH WOULD CONTINUE AT SAME RATE EXPECTED FOR 1977. (FRG TOLD U.S. DEL PRIVATELY THAT GROWTH OF 4.5-5 PERCENT IN 1978 "SEEMED RIGHT" FOR REDUCTION OF UNEMPLOYMENT; THEY ADDED THAT THIS WAS NOT AN OFFICIAL TARGET.)

12. TIETMEYER (APPARENTLY AS PART OF FRG DEFENSE) STATED THAT U.S. SWING TOWARD CURRENT ACCOUNT DEFICIT HAD LARGELY BENEFITED OPEC AND, TO A LESSER EXTENT, JAPAN AND HENCE WAS OF LITTLE HELP TO OECD AREA DEFICIT COUNTRIES. FOR GOOD MEASURE, TIETMEYER INJECTED THAT WP3 SHOULD EXAMINE INTERNATIONAL LIQUIDITY IMPLICATIONS OF GROWING U.S. DEFICIT. SWISS CHIMED IN ON FRG SIDE WITH COMMENT THAT U.S. DEFICIT COULD LEAD TO DECLINE IN DOLLAR EXCHANGE RATE, WHICH WOULD ENGENDER GENERALIZED EXCHANGE RATE INSTABILITY LEADING TO UNWELCOME UPWARD PRESSURE ON SWISS FRANC. RESPONDING IN TURN TO THESE POINTS, U.S. (WIDMAN) ARGUED THAT (A) OF \$24 BILLION SWING IN U.S. CURRENT ACCOUNT TOWARD DEFICIT BETWEEN 1975 AND EXPECTED BALANCE IN 1978, ONLY ONE-THIRD WAS WITH OPEC AREA; (B) SWING TOWARD DEFICIT WAS CONSISTENT

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PARIS 17752 04 OF 04 161710Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00
INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 EPG-02 SIL-01 AGRE-00 OMB-01 L-03
STR-04 SS-15 NSC-05 PRS-01 PA-01 H-01 OIC-02
XMB-02 FEAE-00 INT-05 /118 W
-----161722Z 095622 /46

O R 161534Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4238
INFO ALL OECD CAPITALS

C O N F I D E N T I A L SECTION 4 OF 4 PARIS 17752

WITH U.S. RESPONSIBILITY IN INTERNATIONAL ADJUSTMENT PROCESS; DISTRIBUTION OF BENEFICIARIES WOULD DEPEND ON RELATIVE COMPETITIVE POSITION OF OTHER COUNTRIES; (C) FOR PATTERN OF OECD AREA DEFICIT (IN FACE OF OPEC SURPLUS) TO BE SUSTAINABLE, IT MUST BE DISTRIBUTED CONSISTENT WITH

COUNTRIES' ABILITY TO ATTRACT CAPITAL INFLOWS. EVIDENCE OF THIS ABILITY IN U.S. CASE LAY IN FACT THAT EXCHANGE RATE HAD NOT WEAKENED IN FACE OF LARGE CURRENT DEFICIT. CLEAR THAT MAJORITY OF DELEGATIONS WOULD ACCEPT U.S. ANALYSIS OF CONTRIBUTIONS, THIS SWING MADE TO SUSTAINABILITY OF OPEN TRADING SYSTEM.

13. U.S. ALSO REITERATED THAT IT WOULD BECOME INCREASINGLY DIFFICULT TO DEFEND U.S. CURRENT ACCOUNT DEFICIT AGAINST DOMESTIC CRITICISM WHEN OTHER COUNTRIES WERE RUNNING STRONG SURPLUS. U.S. SUGGESTED THAT SURPLUS COUNTRIES TAKE SPECIFIC MEASURES (E.G., REMOVAL OF EXPORT INCENTIVES, REMOVAL OF IMPEDIMENTS TO IMPORTS, AVOIDANCE OF INCREASE IN FOREIGN EXCHANGE RESERVES) TO INDUCE SHIFT TOWARD CURRENT ACCOUNT DEFICIT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 17752 04 OF 04 161710Z

14. LIKE GERMANS, JAPANESE (MIYAZAKI) WERE ON DEFENSIVE FOR BULK OF TWO-DAY SESSION. THEY STATED THAT SUMMIT GROWTH TARGET WOULD BE ACHIEVED (6.7 PERCENT FOR YEAR ENDING MARCH, 1976, WHICH IMPLIES 6.2 PERCENT FOR CY77) AND INSISTED THAT SECRETARIAT'S FORECAST OF 5-1/2 PERCENT (REVISED UPWARD FROM 5 PERCENT) WAS OVERLY PESSIMISTIC. HOWEVER, THEIR CASE FOR STRONGER GROWTH OF DOMESTIC DEMAND OUTLOOK WAS NOT PERSUASIVE. MIYAZAKI AGREED WITH SECRETARIAT CONTENTION THAT SPARE CAPACITY WOULD DEPRESS INVESTMENT AND ECHOED FRG POINT THAT WEAK EXPORT OUTLOOK WOULD HAVE SAME EFFECT. JAPANESE INDICATED THAT THEY EXPECT CURRENT ACCOUNT TO REACH "EQUILIBRIUM OR CLOSE TO EQUILIBRIUM" BY MARCH, 1978, BUT CLAIMED NOT TO HAVE PROJECTED A FIGURE FOR CY1977. IMPLICATION IS, HOWEVER, THAT THEY EXPECT SIZABLE SURPLUS FOR THIS YEAR. (SECRETARIAT FORECASTS SURPLUS OF \$6 BILLION FOR 1977.)

15. IN ADDITION TO PUSHING FOR FASTER GROWTH IN GERMANY AND JAPAN, MANY COUNTRIES STRONGLY EMPHASIZED POLITICAL DANGER AND ECONOMIC COST OF CONTINUED HIGH LEVELS OF UNEMPLOYMENT, AND SUGGESTED SPECIFIC MANPOWER PROGRAMS BEYOND MACRO-ECONOMIC POLICIES NEEDED URGENT ATTENTION. THIS WAS MAIN THEME OF MAJOR STATEMENT MADE (IN SENSE ON BEHALF OF SMALLER COUNTRIES) BY BELGIUM (MALDAGUE). U.K. (WASS) NOTED THAT SELECTIVE EMPLOYMENT CREATING MEASURES WERE ONLY TEMPORARY PALLIATIVES AND MACRO-ECONOMIC POLICIES (E.G., GROWTH) WERE KEY TO REDUCING UNEMPLOYMENT. AUSTRALIANS (STONE) TOOK STRONG POSITION THAT UNEMPLOYMENT WOULD NOT COME DOWN IN ABSENCE OF DECLINE IN REAL WAGES, BOTH RELATIVE TO PROFITS AND ABSOLUTELY. MOST COUNTRIES AND SECRETARIAT HAD VIEWS IN BETWEEN THESE EXTREMES, WITH U.S. EXPRESSING FOND WISH THAT GOVERNMENTS

HAD CONTROL OF NOMINAL AND REAL WAGES.

ECONOMIC POLICY OBJECTIVES FOR 1978 AND RECOMMENDATIONS
FOR OECD MINISTERIAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PARIS 17752 04 OF 04 161710Z

16. DISCUSSION OF LIKELY DEVELOPMENTS IN 1978 WAS MINIMAL AS MOST OFFICIAL FORECASTS DID NOT EXTEND THAT FAR (FOR GERMANY SEE PARA 11 ABOVE). HOWEVER, CANADIANS (JOYCE) PER AGREEMENT AT JUNE 14 EPC BUREAU MEETING, PROPOSED A SET OF CONCLUSIONS AND POLICY RECOMMENDATIONS (OUTLINED IN SUMMARY ABOVE) WHICH EPC SHOULD SUBMIT TO JUNE 23-24 OECD MINISTERIAL.

17. SECRETARIAT (MARRIS) OUTLINED MAIN POLICY RECOMMENDATIONS OF MCCracken REPORT: "TOWARD FULL EMPLOYMENT AND PRICE STABILITY." MARRIS INDICATED (PER AGREEMENT AT EPC BUREAU MEETING) THAT REPORT'S RECOMMENDATIONS SHOULD BE VIEWED AS AN INPUT INTO POLICY DISCUSSIONS, BUT NOT AS PACKAGE WHICH INDIVIDUAL COUNTRIES WOULD BE ASKED TO ENDORSE. EPC DID NOT DISCUSS MCCracken REPORT.

18. WP2 CHAIRMAN (SKANLAND) BRIEFLY REPORTED CONCLUSIONS OF MAY 9-10 MEETING OF WORKING PARTY (SEE REF H). KATZ

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, ECONOMIC PROGRAMS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS17752
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770229-0236
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770647/aaaabpsf.tel
Line Count: 470
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7616fc7a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 PARIS 16757, 77 PARIS 17015, 77 PARIS 17111, 77 PARIS 17014, 77 PARIS 14543
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2118716
Secure: OPEN
Status: NATIVE
Subject: JUNE 14-15 MEETING OF ECONOMIC POLICY COMMITTEE (EPC): COUNTRIES VIEW SHORT-TERM ECONOMIC OUTLOOK WITH VARYING DEGREES OF CONCERN AND PREPARE DISCUSSION
TAGS: ECON, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/7616fc7a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009